

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: JEFFERY D. HUM,)
and THE HUM GROUP, and)
its managers, officers, affiliates, subsidiaries, representatives,)
successors, and assigns.)

FILE NO. 0800543

ORDER OF PROHIBITION

TO RESPONDENTS:

**Jeffery D. Hum
4432 Copper Creek
Toledo, Ohio 43615**

**The Hum Group
309 East Rand Road, No. 344
Arlington Heights, Illinois 60004**

WHEREAS, a Temporary Order of Prohibition was issued by the Illinois Secretary of State, on July 14, 2010, temporarily prohibiting the Respondents from offering or selling securities in the State of Illinois for a maximum period of ninety (90) days.

WHEREAS, pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5/1 *et. seq.*] (the "Act"), the failure to request a hearing within thirty (30) calendar days of the entry of a Temporary Order of Prohibition shall constitute an admission of any facts alleged therein and constitute a sufficient basis to make the Temporary Order final.

WHEREAS, Respondents Jeffery D. Hum and The Hum Group have failed to request a hearing on the matters contained in the Temporary Order of Prohibition within thirty (30) calendar days of the entry of said Temporary Order and the Respondents are hereby deemed to have admitted the facts alleged in the said Temporary Order.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has adopted the Findings of Fact contained in the said Temporary Order as the Secretary of State's Findings of Fact as follows:

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1. Respondent Jeffery D. Hum ("Hum") is a natural person and a registered Insurance Agent in the state of Ohio with a last known address of 4432 Copper Creek, Toledo, Ohio 43615.
2. Respondent Hum also does business as The Hum Group, ("Hum Group") which is an unincorporated entity controlled by Hum and maintains a mailing address at 309 East Rand Road, No. 344, Arlington Heights, Illinois 60004.
3. Respondent Hum is not registered to offer or sell securities, or provide investment advisory services, in the State of Illinois, nor is the Hum Group incorporated in Illinois or registered as a foreign entity doing business in or from Illinois.
4. Respondent Hum attempted to register on the Financial Industry Regulatory Authority's ("FINRA") Central Registration Depository ("CRD") but failed to pass the Series 7 Examination in 1987.
5. At all relevant times, Hum was not registered to offer or sell securities or provide investment advisory services in the State of Illinois.
6. Nevertheless, as described more fully below, Respondents Hum and the Hum Group offered investment advisory and financial planning services to the public.
7. At all relevant times, Respondent Hum represented himself as a financial advisor to Investors A and B.
8. Investor A was a sixty five year old widow and Investor B was a seventy five year old elderly couple.
9. At or near the same time, Investor A recommended the financial services of Respondents Hum and the Hum Group to her sister and brother in law, Investor B.

COUNT I

FRAUD IN THE OFFER AND SALE OF SECURITIES

INVESTOR A

10. In or about January of 1998, Respondent Hum visited the home of Investor A, a sixty five year old widow.
11. Investor A informed Respondent Hum that her \$1,000,000.00 diversified portfolio was managed and controlled by John Hancock, Inc., a global provider of financial protection and wealth management of products and services.
12. Upon the recommendation of Respondent Hum, Investor A notified John Hancock, Inc. that Respondent Hum of the Hum Group would now be managing and controlling her \$1,000,000.00 portfolio.

13. In or about January of 1998, Respondent Hum induced Investor A, a sixty five year old widow, to rearrange her diversified portfolio of stocks and bonds so that one hundred percent (100%) of her assets were invested in equity index annuities with surrender periods during which time access to their money would be limited.
14. Respondent Hum took control over Investor A's \$1,000,000.00 portfolio with the condition that her assets be diversified in a wide variety of investments.
15. Respondent Hum invested the entire amount of Investor A's \$1,000,000.00 in the following four annuities: Aviva, Allianz, Midland, and Sunlife.
16. Respondent Hum instructed Investor A to sign and date the checks but to leave the amount blank and payee line blank so that he could fill it in himself. In addition, Investor A forwarded all the checks to the mailbox located at 309 East Rand Road, No. 344, Arlington Heights, Illinois 60004.
17. Respondent Hum did not inform Investor A that he invested the entire amount of her \$1,000,000.00 portfolio in annuities.
18. Investor A did not participate in the management of her investment portfolio. Her knowledge of the investments were limited to periodic updates from Respondent Hum.
19. The concentration in equity index annuities were unsuitable and contrary to the customer's investment objectives. The sales generated excessive amounts in commissions for Hum and approximately the same amount in net commissions to Respondent Hum Group. Among the transactions Hum orchestrated was the purchase of equity index annuities and its subsequent liquidation for reinvestment in other equity index annuities with excessive surrender charges for the early withdrawal.
20. Respondent Hum switched the annuities without Investor A's approval and failed to disclose the existence of commission charges, surrender penalties, tax liabilities associated with the products, as well as the illiquidity of the money placed into the annuities.
21. Respondent Hum, without being registered, provided advice to Investor A in connection with her investment portfolio.
22. In September 16, 2008, Investor A discovered that Respondent Hum had invested the entire amount of \$1,000,000.00 in annuities and as a result suffered a \$250,000.00 loss to her portfolio.
23. Respondent Hum's baseless recommendations that resulted in financial hardship for Investor A while providing Hum with excessive commissions; the only reason Hum invested in these annuities.

24. The activities described above constitute the offer and sale of a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5/1 et. seq.] (the "Act").
25. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof".
26. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
27. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly".
28. By virtue of the foregoing, Respondents Hum and The Hum Group violated Sections 12.F, 12.G and 12.I of the Act.

COUNT II

FRAUD IN THE OFFER AND SALE OF SECURITIES

INVESTOR B

29. Upon the recommendation of Investor A, in or about July of 2005, Respondent Hum visited the home of Investor B, a seventy five year old elderly couple.
30. Investor B informed Respondent Hum that their \$800,000.00 diversified portfolio was managed and controlled by A.G. Edwards, Inc., (a full service securities broker dealer).
31. Upon the recommendation of Respondent Hum, Investor B notified A.G. Edwards, Inc. that Respondent Hum of the Hum Group would now be managing and controlling their \$800,000 portfolio.
32. In July of 2005, Respondent Hum induced Investor B, a 75-year-old elderly couple, to rearrange their diversified portfolio of stocks and bonds so that one hundred percent (100%) of their assets were invested in equity index annuities with surrender periods during which time access to their money would be limited.
33. Respondent Hum took control over Investor B's \$800,000.00 portfolio with the condition that their assets be diversified in a wide variety of investments.

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34. Respondent Hum invested the entire amount of Investor B's \$800,000.00 in the following four annuities: Aviva, Allianz, Midland, and Sunlife.
35. Respondent Hum instructed Investor B to make the checks payable to the Annuity Companies but to leave the amount blank so that he could fill in the amounts. In addition, Investor B forwarded all the checks to the mailbox at 309 East Rand Road, No. 344, Arlington Heights, Illinois 60004.
36. Respondent Hum did not inform Investor B that the entire amount of \$800,000.00 was invested in annuities.
37. Investor B did not participate in the management of their investment portfolios. Their knowledge of the investments were limited to periodic updates from Respondent Hum.
38. The concentration in equity index annuities were unsuitable and contrary to the customer's investment objectives. The sales generated excessive amounts of commissions for Hum and approximately the same amount in net commissions to Respondent Hum Group. Among the transactions Hum orchestrated was the purchase of equity index annuities and its subsequent liquidation for reinvestment in other equity index annuities with excessive surrender charges for the early withdrawal.
39. Respondent Hum switched the annuities without B's approval and failed to disclose the existence of commission charges, surrender penalties, tax liabilities associated with the products, as well as the illiquidity of the money placed into the annuities.
40. Respondent Hum, without being registered, provided advice to Investor B in connection with their investment portfolios.
41. In September 16, 2008, Investor B discovered that Respondent Hum had invested the entire amount of \$800,000.00 in annuities and as a result suffered a \$150,000 loss to their portfolio.
42. Respondent Hum's baseless recommendations that resulted in financial hardship for Investor B while providing Hum with excessive commissions; the only reason Hum invested in these annuities.
43. The activities described above constitute the offer and sale of a security as those terms are defined in Sections 2.1, 2.5, and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5/1 et. seq.] (the "Act").
44. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof".

45. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
46. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly".
47. By virtue of the foregoing, Respondents Hum and The Hum Group violated Sections 12.F, 12.G and 12.I of the Act.

COUNT III

FAILURE TO REGISTER AS AN INVESTMENT ADVISER AND INVESTMENT ADVISER REPRESENTATIVE

48. Counts 1-47 are re-alleged and incorporated by reference.
49. The activities of Respondent Hum, described above, constitute the activity of an investment adviser representative.
50. Section 8 of the Act provides, *inter alia*, that all investment advisers and investment adviser representatives, except as otherwise provided, shall be registered with the Secretary of State.
51. At all relevant times, Respondent Hum failed to file an application for registration as an investment adviser representative with the Illinois Secretary of State.
52. Section 12.C of the Act provides, *inter alia*, that it shall be a violation for any person to act as an investment adviser or investment adviser representative, unless registered as such.
53. Section 12.D of the Act provides, *inter alia*, that it shall be a violation for any person to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of the Act or any rule or regulation made by the Secretary of State pursuant to the Act.
54. By virtue of the foregoing, Respondent Hum violated Sections 8, 12.C and 12.D of the Act.

WHEREAS, the Secretary of State, by and through his duly authorized representative, has adopted the Conclusions of Law contained in the said Temporary Order as the Secretary of State's Conclusions of Law as follows:


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1. By virtue of this conduct, Respondents Jeffery D. Hum and The Hum Group violated Sections 12.A, 12.C, 12.D, 12.F, 12.G, and 12.I of the Act.
2. By virtue of the foregoing, Respondents Jeffery D. Hum and The Hum Group, and each of their partners, members, officers and directors, agents, employees, affiliates, successors and assigns are subject to, pursuant to Section 11.F of the Act, an Order which permanently prohibits them from offering or selling securities in the State of Illinois.

NOW THEREFORE, IT IS HEREBY ORDERED THAT: pursuant to Section 11.F of the Act, Respondents Jeffery D. Hum and The Hum Group and each of their partners, members, officers and directors, agents, employees, affiliates, successors and assigns are hereby **PROHIBITED** from offering or selling any securities in or from the State of Illinois.

Dated: This 23rd day of August, 2010.


JESSE WHITE
Secretary of State
State of Illinois

NOTICE: Failure to comply with the terms of this Order shall be a violation of the Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of the Order, shall be guilty of a Class 4 Felony.

This is a final order subject to administrative review pursuant to the Administrative Review Law, {735 ILCS 5/3-101 et seq.} and the Rules and Regulations of the Illinois Securities Act, {14 Ill. Admin. Code Ch. I, Section 130.1123}. Any action for Judicial Review must be commenced within thirty-five (35) days from the date a copy of this Order is served upon the party seeking review.

Attorney for the Secretary of State:

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